Please find our Research on Bloomberg BRYG <GO>)

6th April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17603.32	-0.75%	+1.02%
S&P 500	2045.17	-1.01%	+0.06%
Nasdaq	4843.93	-0.98%	-3.26%
Nikkei	15715.36	-0.11%	-17.34%
Stoxx 600	328.146	-1.90%	-10.30%
CAC 40	4250.28	-2.18%	-8.34%
Oil /Gold			
Crude WTI	35.8	0.00	-3.76%
Gold (once)	1229.34	+0.89%	+15.72%
Currencies/Rates			
EUR/USD	1.13755	-0.05%	+4.72%
EUR/CHF	1.08915	-0.29%	+0.16%
German 10 years	0.104	-18.80%	-83.57%
French 10 years	0.363	-7.09%	-62.95%
Euribor	-	+-%	+-%

Economic releases :

Date	
6th-Apr	JP - Leading index (99.8A, 99.8 E)
	DE - industrial prod. (0.4%E)
	DE - Markit retail PMI
	US - DOE Oil Inventories
	US - FOMC Minutes

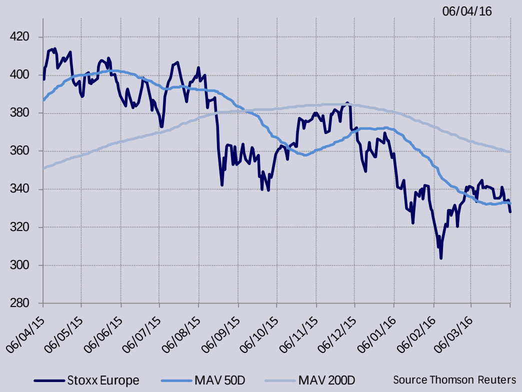
Upcoming BG events :

Date	
8th-Apr	VINCI (BGLuxembourg roadshow with CFO)
12th-Apr	DBV TECH. (BG Paris roadshow with CEO)
20th-Apr	REMY COINTREAU (BG Paris breakfast with CFO)
22nd-Apr	PERNOD RICARD (BG Paris roadshow with Head of IR)
28th-Apr	ORPEA (BG Luxembourg with IR)
28th-Apr	ORPEA (BG Luxembourg with IR)

Recent reports :

Date	
4th-Apr	GAMELOFT : Nothing to gain by tendering your GFT shares now!
29th-Mar	IPSEN Cabozantinib makes Ipsen a different story
23rd-Mar	AMOEBA It's getting closer!
23rd-Mar	Feedback from our TMT Conference in Paris
22nd-Mar	SOPRA STERIA : Flawless integration of Steria so far
22nd-Mar	LUXOTTICA : Turbulence almost over, make the most of it!

List of our Reco & Fair Value : Please click here to download



EDP RENOVAVEIS — NEUTRAL

Coverage initiated, Fair Value EUR7.5 (+17%)

Renewables, what else? (Full report released today)

This morning, in a report, we initiate coverage on EDPR, the renewables subsidiary of EDP, the largest listed Portuguese integrated utility. Armed with its strong expertise in the wind sector in Europe and North America, the group is engaging in a new growth area more geared to emerging markets and it is also looking at other technologies (offshore wind and solar). We appreciate the group's positioning in these high growth potential markets, but initiate coverage with a Neutral rating and a FV of EUR7.5 as political risk in U.S combined with demanding multiples make the case not so attractive, for now.

HEALTHCARE

Top Picks Q2. FRESENIUS, IPSEN and ABLYNX join ACTELION while ASTRAZENECA, GENMAB and BONE THERAPEUTICS are out

HOTELS

Top Picks: Melia and AccorHotels again

In brief...

ADIDAS GROUP, *adidas Originals: at the forefront in social media thanks to product personalisation*

ALLIANZ, *Sale of the South Korean Life and AM businesses to Anbang*

ASTRAZENECA, *Saxagliptin-containing products to carry new warning for HF*

HEIDELBERGCEMENT, *Integration plan for Italcementi announced*

LAFARGEHOLCIM, *Interest in Lafarge India assets confirmed by the press*

Return to front page

Edp Renovaveis

Price EUR6.44

Renewables, what else? (Full report released today)

Fair Value EUR7.5 (+17%)

NEUTRAL

Coverage initiated

Bloomberg	EDPR LI
Reuters	EDPR.LS
12-month High / Low (EUR)	7.3 / 5.7
Market Cap (EURm)	5,614
Ev (BG Estimates) (EURm)	10,856
Avg. 6m daily volume (000)	444.7
3y EPS CAGR	8.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.5%	-11.1%	3.6%	-11.2%
Utilities	-0.9%	-6.6%	-5.9%	-7.8%
DJ Stoxx 600	-4.0%	-8.6%	-8.4%	-10.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,549	1,750	1,927	2,128
% change		*13.0%*	*10.1%*	*10.4%*
EBITDA	1,142	1,198	1,306	1,432
EBIT	577.8	606.3	667.5	722.2
% change		*4.9%*	*10.1%*	*8.2%*
Net income	166.6	145.2	174.1	211.2
% change		*-12.9%*	*19.9%*	*21.3%*

	2015	2016e	2017e	2018e
Operating margin	37.3	34.7	34.6	33.9
Net margin	10.8	8.3	9.0	9.9
ROE	2.4	2.1	2.5	3.0
ROCE	4.4	4.5	4.9	5.2
Gearing	72.4	69.9	67.5	65.4

(EUR)	2015	2016e	2017e	2018e
EPS	0.19	0.17	0.20	0.24
% change	-	*-12.9%*	*20.0%*	*21.3%*
P/E	33.7x	38.7x	32.2x	26.6x
FCF yield (%)	NM	NM	3.9%	3.6%
Dividends (EUR)	0.04	0.06	0.07	0.08
Div yield (%)	0.6%	0.9%	1.1%	1.3%
EV/Sales	7.1x	6.2x	5.5x	5.0x
EV/EBITDA	9.7x	9.1x	8.2x	7.4x
EV/EBIT	19.1x	17.9x	16.0x	14.6x

This morning, in a report, we initiate coverage on EDPR, the renewables subsidiary of EDP, the largest listed Portuguese integrated utility. Armed with its strong expertise in the wind sector in Europe and North America, the group is engaging in a new growth area more geared to emerging markets and it is also looking at other technologies (*offshore wind and solar*). We appreciate the group's positioning in these high growth potential markets, but initiate coverage with a Neutral rating and a FV of EUR7.5 as political risk in U.S combined with demanding multiples make the case not so attractive, for now.

ANALYSIS

- **A European leader within the renewables sector…**: With its **9.3GW** of installed capacities, o/w **99%** in wind and **53%** in Europe, EDPR is today one of the European leaders within the renewables sector. As a reminder, this subsector, within what we call the global utilities sector, is set to represent roughly **60-70%** of the **2012-2030e** additional worldwide installed capacities growth. EDPR as a pure player is therefore well positioned.
- **…offering strong and visible earnings growth**: The beauty of the subsector, when not impacted by political changes, is to offer strong and visible earnings growth to long-term investors. EDPR, within this universe, is one of the perfect vehicles to play the market (*large market cap, solid majority shareholder, margin resilience…*) even if dividend yield is not so attractive. We currently estimate the group will be able to generate an EBITDA CAGR of **8%** over the 2015-2020 period, clearly above SX6P Index and the European renewable players average. Besides this, most of the growth will come from outside Europe.
- **Neutral, with FV at EUR7.5/share:** Despite the good track record of the group and the solid earnings growth we expect over the coming years, the negative short-term risk linked to the US presidential elections (*none of the credible candidates are strongly in favour of expanding renewables*), combined with the poor visibility on the EDPR's strategy on solar technology and the limited upside our model gives us (*16%),* leads us to initiate coverage with a Neutral rating. Inside our renewable subsector we continue to favour Albioma & Voltalia (*respectively 20% and 45% upside*).

VALUATION

- At current share price EDPR is trading at 9.1x its 2016e EBITDA and offers a 1.1% yield
- Neutral, FV @ EUR7.5/share

NEXT CATALYSTS

- May 4th: Q1-16 earnings
- May 5th: Investor Day

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Sector View

Healthcare

Top Picks Q2. FRESENIUS, IPSEN and ABLYNX join ACTELION while ASTRAZENECA, GENMAB and BONE THERAPEUTICS are out

	1 M	3 M	6 M	31/12/15
Healthcare	-2.0%	-12.4%	-10.1%	-12.7%
DJ Stoxx 600	-4.0%	-8.6%	-8.4%	-10.3%

*Stoxx Sector Indices

Companies covered

ABLYNX		**BUY**	**EUR17 vs. 18**
Last Price	EUR13,02	*Market Cap*	EUR720m
ACTELION		**BUY**	**CHF163 vs.166**
Last Price	CHF143,9	*Market Cap*	*CHF16,423m*
ADOCIA		**BUY**	**EUR93 vs. 100**
Last Price	EUR62,56	*Market Cap*	*EUR428m*
ASTRAZENECA		**BUY**	**5360p vs 5520p**
Last Price	3951p	*Market Cap*	*GBP49,960m*
BAYER		**NEUTRAL**	**EUR108 vs. 113**
Last Price	EUR100	*Market Cap*	*EUR82,695m*
BIOMERIEUX		**BUY**	**EUR115 vs. 118**
Last Price	EUR102,45	*Market Cap*	*EUR4,042m*
BONE THERAPEUTICS		**BUY**	**EUR30**
Last Price	EUR18,2	*Market Cap*	*EUR125m*
CELLECTIS		**BUY**	**EUR37**
Last Price	EUR25,64	*Market Cap*	*EUR902m*
CELYAD		**BUY**	**EUR77**
Last Price	EUR38,76	*Market Cap*	*EUR361m*
DBV TECHNOLOGIES		**BUY**	**EUR89 vs. 92**
Last Price	EUR59,7	*Market Cap*	*EUR1,439m*
ERYTECH		**BUY**	**EUR48 vs. 51**
Last Price	EUR26,58	*Market Cap*	*EUR211m*
FRESENIUS MED.CARE		**BUY**	**EUR94 vs. 97**
Last Price	EUR76,91	*Market Cap*	*EUR23,562m*
FRESENIUS SE		**BUY**	**EUR70 vs. 68**
Last Price	EUR63,21	*Market Cap*	*EUR34,501m*
GALAPAGOS		**BUY**	**EUR62 vs. 63**
Last Price	EUR37,25	*Market Cap*	*EUR1,460m*
GENMAB		**BUY**	**DKK1225**
Last Price	DKK913	*Market Cap*	*DKK54,486m*
GLAXOSMITHKLINE		**BUY**	**1670p**
Last Price	1419p	*Market Cap*	*GBP69,116m*
INNATE PHARMA		**BUY**	**EUR18 vs. 19**
Last Price	EUR12,23	*Market Cap*	*EUR658m*
IPSEN		**BUY**	**EUR60**
Last Price	EUR50,92	*Market Cap*	*EUR4,239m*
LDR HOLDING		**BUY**	**USD38 vs. 41**
Last Price	USD26,84	*Market Cap*	*USD784m*
NOVARTIS		**NEUTRAL**	**CHF95**
Last Price	CHF69,4	*Market Cap*	*CHF185,783m*
NOVO NORDISK		**NEUTRAL**	**DKK400 vs. 416**
Last Price	DKK362,7	*Market Cap*	*DKK748,092m*
QIAGEN		**NEUTRAL**	**EUR22**
Last Price	EUR19,93	*Market Cap*	*EUR4,777m*

LOOKING BACK AT Q1 2016

The Healthcare sector significantly derated in Q1 amid concerns over the pricing power of innovation from pharmaceutical companies while entering an election year in the US. Several consecutive years with a dense flow of drug approvals have raised concern about adoption rates and coverage of healthcare costs going forward with a variety of new initiatives being implemented as a consequence. The increasing incidence of pay-for-performance pricing models, the rising level of rebates, increasing use of exclusive contracting etc… is raising the bar to reach commercial success with innovative drugs.

Fundamentals remain strong as long as innovation drives performance but we are simply at a point in the cycle when pressure is exacerbated by the aim of public representatives whoever they are to please patients/voters. And with the Supreme election coming in the US, we do not see this pressure slowing-down by any means. Beyond environment issues, we also see more competition.

As such, the STOXX600 Healthcare dropped 13% in Q1, underperforming the EUROSTOXX 50 index by 500bp (-8% in Q1), the worst relative quarterly performance since 2011. This was particularly well reflected by one of the worst performers in the quarter i.e. heavy weight Novartis that plummeted 20% amid concerns over the take-off of its highly advertised CHF drug Entresto.

WHAT WE EXPECT FOR Q2 2016

Entering Q2 2016, we see some signs of stabilization in the biotech segment if only because valuations have come down a lot, creating some M&A opportunities. The same should apply to pharmaceuticals where price-to-growth ratios like PEG have fallen significantly. That said, momentum continues to appear uncertain because these tough times for drug launches are likely to be reflected in disappointing quarterly sales reports for Q1. Moving closer to the US elections is unlikely to help and debate around the need for new healthcare reform that would favour generic/biosimilar use and limit price increases is very likely to strengthen. Mainly because of this adverse environment, we have decided not to include any large cap pharmaceutical stock in our Top Pick list for the ongoing quarter.

In order to drive through the quarter safely, we have also decided to exclude names with a low free float and too small market capitalisation.

Our selection nevertheless comprises four names as in the previous quarter with one that is reiterated (Actelion) and three new ideas. Self-help stories should outperform. However, it is also fair to remind that Q2 is specific given that it includes very popular medical congresses like ASCO and ADA that may drive stock performances to some extent. That said, we won't play any recovery idea until the second half of the year. Please note also that our FVs have been affected by the new risk-free rate and equity risk premium implemented for all our covered stocks, these now standing at 7.0% and 1.6% respectively vs. 7.4% and 2.0% previously.

CONCLUSIONS AND TOP PICKS

Actelion (BUY – FV CHF163 vs CHF166) stays in. The group was the best performer in the universe during Q1 (+3% in absolute terms) and clearly outperformed the healthcare sector mainly because the company delivered full-year guidance above expectations. Although for obvious reasons it was not easy for Actelion to comment, the origin of the beat concerned the delayed launch of generic bosentan in the US. Precise timings remain uncertain as the agenda is managed by an independent party that is entitled by the FDA to act as a rapporteur between all involved players but it seems fair to assume that the first half of 2016 should be risk-free. Tracleer still represents about USD100m in quarterly sales and margin is estimated close to 90%. So each month that remains generic-free provides significant upside to earnings for Actelion (about 10% on core EBIT for each quarter saved).

The reason why we are maintaining the stock for Q2 is because we are quite confident in the numbers to be reported for Q1 on 21st April 2016 and we see a reasonable chance of a guidance upgrade. This is all the more likely in that Actelion is suggesting a nice start for Uptravi in the US although it is too early to call for a surprise because it could simply be the reflection of the easiest patients being captured. However, we see good feedbacks to report in any case at this stage during the conference call. Last but not least, Actelion looks more secured than many other names re environmental issues in the sector.

BG's Wake Up Call

Return to front page

ROCHE HOLDING		**BUY**		**CHF294 vs. 303**
Last Price	CHF235,8	*Market*		*CHF165,664m*
SANOFI		**NEUTRAL**		**EUR87**
Last Price	EUR72,26	*Market*		*EUR94,350m*
UCB		**NEUTRAL**		**EUR80 vs. 82**
Last Price	EUR68,19	*Market*		*EUR13,263m*
ZEALAND		**BUY**		**DKK180 vs. 200**
Last Price	DKK129,5	*Market*		*DKK3,160m*

Removing AstraZeneca and Genmab

AstraZeneca (BUY – GBp vs. GBp5,520): clearly the group did not perform well in Q1 and because our thesis is intact, it could well have stayed in the list in Q2, all the more so that PT003 and ZS-9 should be approved during the quarter. But we are too uncomfortable with the environment to make a call on AZN for a short period of time. We would like to see how things stabilize before we return more aggressively in the second part of the year. From a longer-term view, it remains a clear BUY however.

Genmab (BUY – DKK1,225) performed well thanks to 1/ encouraging guidance for the very first year of sales of daratumumab (250-300 MUSD); 2/ the publication of positive Phase III results in combination with ibrutinib and dexamethasone (CASTOR study); 3/ the announcement of a collaboration between JNJ and Roche to test “dara” along with a PD-L1 checkpoint blocker in myeloma but also in a solid tumor. Besides, we remain positive on the outcome of the POLLUX study (which involves a combo with lenalidomide)… But we have to admit that short–term momentum is less engaging following the announcement that Morphosys is suing them and their partner for patent infringement.

We remove Bone Therapeutics (BUY – FV EUR30) from the list as we do not want to overweight healthcare. That said, one of the two expected catalysts occurred in Q1, namely interim results from the osteoporosis phase II trial. In Q2, we remain convinced that value creation should be triggered by the efficacy readout from the 2nd cohort enrolled in the Delayed-Union study. It should be followed by a DSMB review which would have the authority to prematurely stop the trial.

Adding Fresenius SE, Ipsen and Ablynx

Fresenius SE (BUY – FV EUR70 vs EUR68) enters our Top Pick list. Kabi should continue to drive the share price. Management has guided for low single-digit growth for the division in 2016, which we view as a floor in the light of 1/ our estimates pointing to 5% growth and 2/ management being conservative at the beginning of the year (meet and beat strategy). Following the approval of two new IV Gx with an upcoming launch as well as the launch of one approved in 2015. ANDA's backlog suggests that in 2016, Fresenius SE should have no difficulty in reaching the high range of its launch guidance (6-10). By playing the parent company, investors could also benefit from both strong topline at FMC and to a lesser extent, increased profitability from EPO and higher than communicated GEP gains while cushioning the risk of any major dilutive acquisition in the Care Coordination field.

Ablynx (BUY – FV EUR17 vs EUR18) jumps into our Top Pick list, ahead of key milestones for the biotech. Firstly, the phase I/IIa results expected in Q2 should provide additional insight as to the rationale of administration via nebulization in RSV infants. We would point out that Ablynx' platform may have the potential to be administrated in uncommon ways (nebulization, cream, ocular) thanks to its robustness). Secondly, we believe that the current share price significantly undervalues the deal with AbbVie for which phase IIb results and potential opt-in are expected in Q3 and H2 2016 respectively.

Ipsen (BUY – FV EUR60) is included in the list for Q2 because we highlighted in our recent note on the stock that the recent correction was a clear opportunity to play mid-term double-digit growth at a reasonable price but also interesting short-term catalysts that should reassure re the recent acquisition.

In March, Ipsen announced it had acquired the European rights for cabozantinib from Exelixis for an upfront payment of USD200m and potential other regulatory and commercial milestones + royalties. This is a transforming deal for Ipsen, one that has negative implications in the short-term because the company needs to build an oncology sales force (cost of about EUR50m), but positive ones in the medium-term. Starting in 2018-2019, it has an accretive impact on earnings and extends the growth trajectory well into the next decade. So we see it as possible provided clinical data supports the price paid. And precisely, we see upcoming catalysts that should help increase confidence in the deal with (i) final phase III data in 2L RCC to be presented either at ASCO or ESMO; (ii) FDA action date on 2L RCC expected by the end of June; (iii) EU opinion expected sometime in September.

With underlying operations still very robust, driven by Somatuline in the US, we see also Q1 numbers as reassuring for historical business. Altogether we therefore believe that Ipsen is and remains a very attractive growth story. With a PEG ratio of about 1x-1.1x, this is a strong BUY at the current price hence our decision to enter Ipsen into our Top Pick list for the ongoing quarter.

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Sector View

Hotels

Top Picks: Melia and AccorHotels again

	1 M	3 M	6 M	31/12/15
Travel&Leisure	-3.9%	-9.8%	-4.5%	-10.4%
DJ Stoxx 600	-4.0%	-8.6%	-8.4%	-10.3%

*Stoxx Sector Indices

Companies covered

ACCORHOTELS	BUY	EUR48
InterContinental Hotels	NEUTRAL	2650p
MELIA HOTELS	BUY	EUR15
KORIAN	NEUTRAL	EUR29
ORPEA	BUY	EUR79

LOOKING BACK AT Q1 2016

Despite positive 2015 results and sector consolidation primarily concerning the battle for Starwood between Marriott and a consortium led by the Chinese insurance group, Anbang, the **hotel sector** performance was disappointing with **AccorHotels** down 6.2% in absolute terms and up just 0.5% vs. the DJ Stoxx, **Melia Hotels** down 16.4% and 10.4% vs. the DJ stoxx, while **IHG** was down 0.4% in absolute terms and in euros and up 6.8% in relative terms. For the two main groups exposed to Europe i.e. AccorHotels and Melia Hotels, the November terrorist attacks in Paris, political uncertainty in Spain as well as company-specific factors continued to weigh on their valuations despite attractive multiples compared to hoteliers most exposed to US.

In **dependence care, Orpea** (-2.2% in absolute terms and up 4.9% vs. the DJ Stoxx) outperformed **Korian** (-25.9% and -20.6% vs. DJ Stoxx), which was largely impacted by the new management's decision to rebase 2015 results (reclassification of personnel and IT expenses) and a lower-than-expected operating performance in H2, mainly in Germany.

WHAT WE EXPCT FOR Q2 2016

Consolidation in the **hotel industry** is set to continue and Chinese hoteliers or investors should be active. Regarding RevPAR, the European hotel industry remains under pressure following recent terrorist attacks.

No major moves are expected in **dependence care** with limited newsflow especially for **Korian** prior to the Investor Day on 15th September 2016 when the new management team will present its 2020 strategic plan.

CONCLUSIONS AND TOP PICKS

At the end of March, **Melia Hotels** notified the early redemption of all convertible bonds. The conversion will be exercised between 4th and 14th April, 2016. **Firstly**, note that the convertible bond, like the previous one, created a lot of volatility for the share price with an option largely in the money (conversion price of EUR7.318) notably with a short stock position of around 10%. **Secondly**, the potential dilution had yet been integrated into our EPS with the creation of 34.2m new shares (dilution of 17.2%). Taking into account treasury shares i.e. 5.05m that could be used, net new shares should be around 30m. With the short position, overhang should represent a maximum of 15m shares i.e. 6.5% of total share capital. **Thirdly**, the group's debt position should not be an issue with net debt/EBITDA falling to 1.7x on our estimates from 3.1x. Moreover, this multiple could give the group the opportunity to optimise the average cost of debt which was 4.4% in 2015 (4.8% in 2014). **Finally**, note that the Escarrer family will still control the equity capital with a stake of 52.1% vs. 60% previously. To conclude, we now estimate that the share price could fully reflect positive expectations for results and the current valuation (2016e EV/EBITDA of 9.3x and 2017e of 8.3x). After strong 2015 results, management is reasonably confident in 2016. In fact, its expects mid-single digit RevPAR growth for FY2016, with Q1 set to show mid-to-high single digit growth benefiting from strong business in **America** (high season) but also strong RevPAR in **Spain** (February was up 28.7% after 14% in January).

Undoubtedly, **AccorHotels'** valuation is suffering from its exposure to France (29% of the group's offer in number of rooms) with Paris/Ile de France generating over 60% of France EBIT, and to Brazil accounting for over 7% of the group's offer with 220 hotels and c.36,000 rooms.

In addition, AccorHotels is engaged in a vast restructuring of its assets (not always very clear as the agreement recently announced at the end of January for a new structure partly owned by AccorHotels an Eurazeo, which is also a shareholder of AccorHotels) and at the same time, in a dynamic growth strategy notably with the signature alongside the Qatar Investment Authority (QIA), Kingdom Holding Company (KHC) of Saudi Arabia and Oxford Properties (OMERS) for the acquisition of **FRHI** (Fairmont, Raffles and Swissôtel) or the alliance with **China Lodging**. New areas in hospitality are also being explored again as illustrated yesterday with the acquisition of **Onefinestay** in the private rental market specialised in the luxury segment, which could be difficult to value in the short term.

Nevertheless, the group's current valuation looks excessively low even in a stress scenario with 2016e EV/EBITDA just under 8x compared with the European average of 9.4x, while **Marriott** will pay over 13x for **Starwood**. Our view seems to be confirmed by some investors bearing in mind that **Jin Jiang**, the Chinese hotel leader, owns almost 11.7% of AccorHotels' equity capital or **QIA**, **KHC** and **OMERS** will be paid mainly in equity for FRHI (they will control c. 16% of AccorHotels' equity capital). Finally, Colony Capital and Eurazeo still own over 11% of the capital.

Q1 revenue is due out on 19th April after market. We are forecasting flat RevPAR vs. the same period last year with slightly lower consolidated revenue at EUR1,220m vs. EUR1,225m in Q1 2015.

NEXT CATALYSTS

AccorHotels: Q1 revenue on 19th April 2016; AGM on 22nd April 2016

Korian: Q1 revenue on 3rd May 2016

Orpea: Q1 revenue on 4th May 2016

IHG: Q1 IMS on 6th May 2016

Melia Hotels: Q1 results mid-May 2016

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Luxury & Consumer Goods

adidas Group

Price EUR103.85

adidas Originals: at the forefront in social media thanks to product personalisation

Fair Value EUR104 (0%) **BUY**

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	104.6 / 63.7
Market Cap (EURm)	21,727
Avg. 6m daily volume (000)	1 139

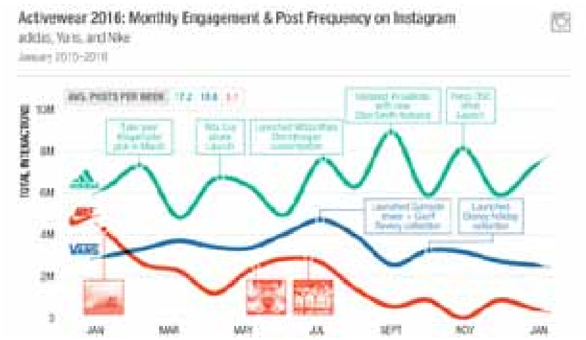
	1 M	3 M	6 M	31/12/15
Absolute perf.	6.6%	18.6%	44.6%	15.5%
Consumer Gds	-0.6%	-2.1%	3.5%	-4.6%
DJ Stoxx 600	-2.1%	-6.2%	-3.8%	-8.6%

	2014	2015e	2016e	2017e
P/E	38.2x	31.3x	25.9x	22.2x
Div yield (%)	1.4%	1.5%	1.8%	2.1%

The adidas Speed Factory pilot project:

ANALYSIS

- On 4th January we were commenting that the huge success of adidas Originals' footwear franchises had had a strong resonance on social media, Originals being the most liked sneaker brand on Instagram in 2015 with 78.8m "likes".
- Apparently Originals is maintaining this momentum! The L2 business intelligence firm, which tracks the digital performance of brands, monitored the average posts per week of three groups involved in Activewear: adidas, Vans (VF Corp) and Nike. The graph below shows that adidas continued to lead the pack, with close to 8m interactions in January, far above Vans and Nike.
- These interactions are naturally fuelled by the successful product launches (latest styles of the NMD and Yeezy Boost shoes were all sold out) but also by the footwear customisation tool according to L2. Indeed the BI firm noted that only 24% of its Activewear brand sample offers this service (o/w adidas, Reebok, Converse and Nike), customised products generally favour interactions and posts from customers who are willing to share their creations.



Source: L2 Inc, Digital IQ Index

- As product customisation is becoming a major and structural trend for our Consumer groups, the adidas' **SPEEDFACTORY** automated production project will enable the group to enhance customised shoe features for customers and reduce lead times (Speed Factories will be close to consumers, or even in-store customization). As a reminder, the first Speed Factory located in Ansbach (Germany) will deliver its first 500 robot-built shoes in H1 2016.

NEXT CATALYSTS

- adidas Group will release its Q1 2016 Results on 4th May 2016.

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Insurance

Allianz

Price EUR135.90

Sale of the South Korean Life and AM businesses to Anbang

Fair Value EUR195 (+43%) **BUY-Top Picks**

Bloomberg	ALV GR
Reuters	ALVG.DE
12-month High / Low (EUR)	169.7 / 126.6
Market Cap (EURm)	62,106
Avg. 6m daily volume (000)	1,654

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.7%	-13.2%	-5.1%	-16.9%
Insurance	-5.5%	-14.4%	-10.2%	-17.0%
DJ Stoxx 600	-4.0%	-8.6%	-8.4%	-10.3%

	2015	2016e	2017e	2018e
P/E	9.3x	9.6x	9.1x	
Div yield (%)	5.4%	5.4%	5.5%	

ANALYSIS

- The company has announced the sale of its South Korean Life and Global Investors businesses to the Chinese group Anbang Insurance.
- No official price has been mentioned, but according to the local press it is thought to stand in the EUR200-225m area.
- This is not a major transaction for Allianz, yet the impact is expected to be slightly positive as the Life business in South Korea generated a EUR244m operating loss in 2015 (after a EUR51m loss in 2014).

VALUATION

- Based on our current estimates, our SOTP valuation is EUR195.

NEXT CATALYSTS

- AGM on 4th May. Q1 2016 numbers to follow on 11th May.

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Healthcare

AstraZeneca

Price 3,951p

Saxagliptin-containing products to carry new warning for HF

Fair Value 5360p vs. 5520p (+36%) **BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,863 / 3,890
Market Cap (GBPm)	49,960
Avg. 6m daily volume (000)	2 515

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.7%	-13.4%	-7.0%	-14.4%
Healthcare	-2.0%	-12.4%	-10.1%	-12.7%
DJ Stoxx 600	-4.0%	-8.6%	-8.4%	-10.3%

	2015	2016e	2017e	2018e
P/E	13.1x	14.2x	14.6x	13.6x
Div yield (%)	5.0%	5.0%	5.0%	5.0%

ANALYSIS

- Although it took the FDA some time, the agency has decided to act and ask for a label change with a new warning being added to saxagliptin and alogliptin-based products to highlight the increased risk of heart failure associated with the use of these drugs. This follows a review of various clinical trial results, including SAVOR phase III trial that, back in 2014 raised questions about a potential risk of increase in hospitalisations associated with heart failure (HF). In April 2015, an Advisory Committee (EMDAC) met and voted 13 to 1 that saxagliptin had an acceptable safety profile while 14 out of 15 members asked for a new safety mention on the label. It took a year to be formally required by the FDA.
- As such, the move is no real surprise. That said, what makes it particularly negative for AstraZeneca is that saxagliptin and alogliptin are the only two DPP-IV inhibitors to be asked to carry this new warning, which introduces a clearly negative differentiating factor between these two drugs and their competitors namely first-in-class alogliptin (Merck) and Lilly's linagliptin.
- AstraZeneca was already in trouble with Onglyza in the US and was facing tough competition, so much so that it said during 2015 that the drug would be de-prioritised in favour of Forxiga. However, first SGLT-2 inhibitors are also currently under attack and we would not rule out another set of warnings for the class soon; second, if Onglyza's estimates have been sharply cut already, the FDC saxa-dapa which was resubmitted recently and is expected to be approved in H2, will carry the same warning that is very likely to limit US sales vs competition.

VALUATION

- This is unfortunately only a confirmation that Diabetes remains a tough area for AstraZeneca in the US. It is still unclear whether the company will try to adapt (including with use of BD) or walk away and reallocate priorities and resources elsewhere.
- We had already adjusted our estimates to these tough market conditions. Today's adjustment to our FV has nothing to do with the news but only refers to the change in BG's metrics for valuation methodology i.e. a new risk-free rate of 1.6% (vs. 2%) and ERP of 7% (vs. 6.4%).

NEXT CATALYSTS

- 29th April 2016: First-quarter results

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Eric Le Berrigaud, eleberrigaud@bryangarnier.com

Construction & Building Materials

Heidelbergcement

Price EUR72.95

Integration plan for Italcementi announced

Fair Value EUR86 (+18%) **BUY-Top Picks**

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	77.0 / 60.1
Market Cap (EURm)	13,708
Avg. 6m daily volume (000)	658.6

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.9%	-1.3%	14.1%	-3.5%
Cons & Mat	-0.4%	-1.2%	1.3%	-3.2%
DJ Stoxx 600	-4.0%	-8.6%	-8.4%	-10.3%

	2015	2016e	2017e	2018e
P/E	17.1x	14.8x	10.5x	8.5x
Div yield (%)	1.8%	2.1%	3.8%	5.3%

ANALYSIS

- After market close yesterday, HEI announced the integration plan for Italcementi. This plan will take a fair amount of time and is only expected to be completed in 2020.
- The local industrial network, plants and brands will be maintained in Italy and Italcementi's Bergamo-based R&D centre, i.Lab, will become the product R&D centre for the whole group.
- On the SG&A side, in order to streamline the organisation, 170 people are to receive "relocation offers" and 230 to 260 are likely to be made redundant. Although the head of Italian operations is to remain in Italy, this will not be equivalent to a proper regional headquarter. Hence some centralisation process has to be implemented. Overall, 400 job positions out of the 2,500 in Italy are to be impacted by this streamlining policy.
- On the anti-trust side, the disposal of Belgian subsidiary "CBB" (Companies des Ciments Belges, around 2mt of capacity) has been proposed to the European Commission. In the US, the process is ongoing. Definitive decisions are expected "before the end of May". Note that the deal includes EUR1bn in disposals, EUR240m of which have already been secured with Italmobiliare.
- The EUR400m synergies target has been reiterated. The first step of the deal (the acquisition of 45% of ITC from Italmobiliare) is expected to be completed by early July.

VALUATION

- EUR86 FV from the application of historical multiples to our 2017 estimates, discounted back.

NEXT CATALYSTS

- Q1 results to be reported on 4th May 2016

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Construction & Building Materials

LafargeHolcim

Price CHF46.66

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.9 / 34.1
Market Cap (CHF)	28,318
Avg. 6m daily volume (000)	2,193

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.8%	-3.1%	-13.1%	-7.2%
Cons & Mat	-0.4%	-1.2%	1.3%	-3.2%
DJ Stoxx 600	-4.0%	-8.6%	-8.4%	-10.3%

	2014	2015e	2016e	2017e
P/E	28.6x	27.0x	20.2x	12.7x
Div yield (%)	2.8%	3.2%	3.8%	4.3%

Interest in Lafarge India assets confirmed by the press

Fair Value CHF50 (+7%) **BUY**

ANALYSIS

- According to the local press, advisors to the sale of Lafarge India (11mt of cement capacity) expect to receive seven/eight offers before the end of next week.
- Numerous companies are "evaluating the deal" or "have expressed interest", local newspaper Mint says. The names of Blackstone, GIC, Barings Asia Private Equity or even CRH, have been mentioned, amongst others.
- CemNet.com writes: "sources say that the assets could be worth more than USD1.6bn", which would correspond to roughly USD150 per ton, above recent transactions: Birla Corp acquired 5.5mt from Reliance at USD129 per ton and UltraTech 22.4mt from Jaypees at USD109 per ton. Besides, the initial deal on the sale of 5.5 mt between LHN and Birla was based on USD144/t
- Of course, if strong interest in Lafarge's Indian assets as well as the price is confirmed, this would reflect confidence in the Indian cement market. This would be positive for LafargeHolcim as India and the US are the only two countries generating more than 10% of consolidated sales for the group. Note that with 62mt of cement capacity in the country, post-disposal, LHN will remain a key player in India.

VALUATION

- CHF50 derived from the application of historical multiples to our 2017 estimates, discounted back. 2016e EV/EBITDA at 7.7x vs 7.9x for the European Cement sector (under coverage).

NEXT CATALYSTS

- Q1 2016 results on 12th May 2016

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Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 59.6% NEUTRAL ratings 32.4% SELL ratings 8.1%

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